

Message Text

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ACTION XMB-07

INFO OCT-01 EA-11 ISO-00 EB-11 AID-20 TRSE-00 AGR-20 RSC-01

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FM AMEMBASSY SEOUL

TO USDOC WASHDC PRIORITY

SECSTATE WASHDC PRIORITY 4625

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EO 11652: N/A

TAGS: BEXP, BPRO, EIND, EMIN, KS

SUBJECT: MAJOR PROJECT FINANCING, SEVENTH FERTILIZER PROJECT

FOR EXIMBANK

REF SEOUL 3423

1. EMBASSY HAS BEEN ADVISED OF POSSIBLE NEGATIVE RESPONSE
BY EXIMBANK BOARD ON CREDIT REQUEST FOR SUBJECT PROJECT.

2. AGRICO CO, A U.S. FIRM, HAS JUST CONCLUDED NEGOTIATIONS
TO PROVIDE 25 PERCENT OF THE \$68 MILLION EQUITY INVESTMENT
AND HAS NEGOTIATED A 10-YEAR SUPPLY CONTRACT FOR PHOSPHATE
ROCK FROM THE U.S. FOR THE PROJECT. ANOTHER U.S. FIRM, FLUOR
CORP., HAS CONTRACTED TO PROVIDE ENGINEERING SERVICES FOR
CONSTRUCTION WORK AND HAS ALREADY DONE PRELIMINARY WORK.
BANK OF AMERICA (BA), IN ADDITION TO HANDLING \$24 MILLION
OF EXIM GUARANTEED PORTION OF LOAN, HAS COMPLETED
SYNDICATION OF \$54 MILLION DOLLAR UNGUARANTEED PORTION
(INCLUDING AN ADDITIONAL \$7.8 MILLION TO BA).

3. ECONOMIC NEED FOR ADDITIONAL FERTILIZER PLANT
APPEARS CLEAR. 1974 DOMESTIC FERTILIZER DEMAND REQUIRING
SUBSTANTIAL IMPORTS OF NITROGEN AND PHOSPHATE FERTILIZER.
KOREA HAS ENVIABLE RECORD OF EFFICIENT OPERATION EXISTING
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FERTILIZER PLANTS ON VERY PROFITABLE BASIS. IN ADDITION

TO FOREIGN EXCHANGE SAVINGS, THE NEW PLANT WOULD INSURE REASONABLY-PRICED SUPPLY OF FERTILIZER IN A COUNTRY WHERE IT IS IMPERATIVE TO OBTAIN THE MAXIMUM POSSIBLE AGRICULTURAL OUTPUT. SUPPORT OF INCREASED FOOD PRODUCTION RURAL SECTOR ARE PRINCIPAL OBJECTIVES U.S. ASSISTANCE KOREA.

4. KOREAN GOVERNMENT INDICATED TO EXIM TEAM IN MARCH THAT THIS IS FIRST PRIORITY PROJECT AND IT WAS LISTED AS SUCH ON PROJECT PRIORITY LIST ASKED FOR BY EXIM. THIS PRIORITY HAS NOT CHANGED AND CONCERN ABOUT FATE OF THIS PROJECT EXTENDS TO HIGHEST LEVELS OF KOREAN GOVERNMENT.

5. EMBASSY WOULD APPRECIATE CLARIFICATION OF EXIM VIEW OF THIS PROJECT. FROM EMBASSY VIEWPOINT, LIST OF CONSIDERATIONS WHICH CALL FOR FAVORABLE RESPONSE TO THIS APPLICATION IS IMPRESSIVE. IN LIGHT OF THESE FACTORS, AND OF HIGH LEVEL KOREAN CONCERN OVER U.S.G. RESPONSE TO ANTICIPATED SUPPORT FOR THIS FIRST PRIORITY PROJECT, EMBASSY REQUESTS EXIM RECONSIDER WHAT WE UNDERSTAND TO BE AN INITIAL UNFAVORABLE RESPONSE ON THE CREDIT.
HABIB

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